



STATE OF CALIFORNIA

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TO COUNTY ASSESSORS:

### ASSESSMENT STATUS OF TRACTORS AND OTHER MOBILE PROPERTY USED AT A RESIDENCE

This letter concerns the assessability of farm, construction, and other "commercial" equipment used at residences for non-business personal use. Examples of such equipment include tractors, backhoes, industrial-quality metal-working tools, and similar equipment that is usually used for business or commercial agricultural purposes but is also sometimes owned and used exclusively as household personal property. We have received questions from taxpayers and assessors as to whether such equipment qualifies as exempt personal effects pursuant to Revenue and Taxation Code Section 224, or whether such equipment is taxable because it was manufactured and normally used for commercial purposes.

Section 224 provides:

**"224. Personal effects and household furnishings.** The personal effects, household furnishings, and pets of any person shall be exempt from taxation. The phrase 'personal effects, household furnishings, and pets' does not include boats, aircraft, vehicles, or personalty held or used in connection with a trade, profession or business or pets so held or used. For purposes of this section, 'pets' mean and include any animals held for noncommercial purposes and not as an investment."

Rule 134 (California Code of Regulations, Title 18), Household Furnishings, Personal Effects, and Pets Exemption, provides in relevant part:

"... personal effects... owned by any individual but not held or used in connection with a trade, profession, or business or for the production of income are exempt from ad valorem taxation .... Personal effects is a category of personal property which includes such items as money kept for household use, clothing, jewelry, **tools, hobby equipment and collections**, and other recreational equipment. By statute, it does not include boats, aircraft and **vehicles**." (Emphasis added.)

Neither Section 224 nor Rule 134 places any restriction on the design (except boats, aircraft, and vehicles), normal use (e.g., equipment is of a type normally used for income-producing purposes), or cost of the personal property. Accordingly, a person could have as exempt personal effects an extensive collection of tools or other equipment of a type designed for commercial purposes and far more costly than the tools or equipment a typical householder would own. The only tests are: the equipment must not be held for any business purpose, and it must not be a boat, aircraft, or vehicle.

Neither the Revenue and Taxation Code nor the Code of Regulations includes a definition of "vehicles" for purposes of this exemption. Accordingly, it is necessary to consult other authorities to define "vehicle." Section 670 of the Vehicle Code defines a vehicle as:

"A 'vehicle' is a device by which any person or property may be propelled, moved, or drawn upon a highway, excepting a device moved exclusively by human power or used exclusively upon stationary rails or tracks."

In *Lambert v. Southern Counties Gas Co.* (1959) 52 Cal. 2d 347 the California Supreme Court held that a bulldozer was a vehicle. The court stated:

"For purposes of classification as 'motor vehicle' under the broad definition of the Vehicle Code, it is not required that the device be one that may *legally* be 'self propelled' upon a highway."

In *Travelers Indem. Co. v. Colonial Ins. Co.* (1966) 242 Cal. App. 2d 227 a California appellate court held that a forklift met the definition of a vehicle.

"Transport argues that a forklift is neither designed nor used to haul persons or property on a public highway; that the forklift here involved was not so used; and that the Vehicle Code provisions exempting forklifts from registration show a legislative intention not to include them in the definition of 'motor vehicle.' We disagree." (Footnote omitted.)

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Based on the Vehicle Code and the above court decisions, a device could be illegal to operate on the highway and exempt from vehicle registration but still be a "vehicle." The only requirement to qualify as a vehicle is that it can move people or property upon a highway by some means other than human power. Accordingly, tractors, backhoes, bulldozers, forklifts, crawler loaders, golf carts, riding lawnmowers, unlicensed racecars, and any other type of equipment that is self-propelled or is designed to be moved by something other than "exclusively human power" qualify as vehicles. These items therefore do not qualify for the exemption provided by Revenue and Taxation Code Section 224.

Note that Vehicle Code Section 38010 requires registration of all snowmobiles, dune buggies, all-terrain vehicles, and off-road motorcycles. Vehicle Code Section 38225 requires a registration fee for all vehicles registered under Section 38010, and Vehicle Code Section 38230 provides that the fees imposed pursuant to Section 38225 are in lieu of property taxes. Accordingly, although those specified off-road vehicles are not exempt as personal effects, they are exempt pursuant to the Vehicle Code.

Although vehicles such as golf carts and riding lawn mowers are not exempt either as personal effects or as vehicles which pay in-lieu fees to the Department of Motor Vehicles, Section 155.20 of the Revenue and Taxation Code authorizes the county board of supervisors to provide for a low-value exemption of up to \$2,000. Such an exemption, if implemented in your county, will eliminate assessment of most household vehicles. However, no exemption would be available for vehicles such as tractors or backhoes that are worth more than \$2,000. They are nonexempt household personal property.

If you have questions or comments regarding this letter, please contact our Business Property Technical Services Unit (916) 445-4982.

Sincerely,



John W. Hagerty  
Deputy Director  
Property Taxes Department

JWH:kmc